



Hiram Walker-Goodeham & Worts Limited

ANNUAL REPORT-1967



BY APPOINTMENT
TO HER MAJESTY QUEEN ELIZABETH II
SUPPLIERS OF "CANADIAN CLUB" WHISKY
HIRAM WALKER & SONS LIMITED

The photograph on the cover is the entrance to the Head Office of Hiram Walker-Goodeham & Worts Limited, at the distillery of Hiram Walker & Sons Limited, Walkerville, Ontario.

*The colour photograph on pages 10 and 11 was taken at Jasper National Park, Alberta, Canada.
"Summer Day At Lac Beauvert"*

Hiram Walker-Goodeham & Worts Limited

Walkerville, Ontario, Canada, incorporated December 31, 1926, under the laws of Canada

BOARD OF DIRECTORS

C. F. H. CARSON, Q.C., LL.D.	JOHN CLIFFORD FOLGER	PAUL J. G. KIDD, Q.C.
ROSS CORBIT	BURDETTE E. FORD	JACK MUSICK
RICHARD E. CROSS	H. CLIFFORD HATCH	THOMAS SCOTT
CHARLES T. FISHER III	JOSEPH JEFFERY, O.B.E., Q.C.	THOMAS SNELHAM

Directors Emeriti

H. J. CARMICHAEL, C.M.G., D.Sc. T. H. GIBBONS HOWARD R. WALTON

OFFICERS

H. CLIFFORD HATCH, *President*

THOMAS SNELHAM
Vice President
and Treasurer

PAUL J. G. KIDD, Q.C.
Vice President
and Secretary

D. J. STAAS
Comptroller

RICHARD M. KIPPEN
Assistant Secretary

AUDITORS

PRICE WATERHOUSE & Co.

Toronto, New York, London & Buenos Aires

BANKERS

THE TORONTO-DOMINION BANK, Toronto

MORGAN GUARANTY TRUST COMPANY OF NEW YORK, New York, N.Y.

NATIONAL BANK OF DETROIT, Detroit, Michigan

TRANSFER AGENTS

NATIONAL TRUST COMPANY LIMITED, Toronto, Montreal, Calgary & Vancouver

BANKERS TRUST COMPANY, New York, N.Y.

REGISTRARS

CANADA PERMANENT TRUST COMPANY, Toronto, Montreal, Calgary & Vancouver

MORGAN GUARANTY TRUST COMPANY OF NEW YORK, New York, N.Y.

REPORT OF DIRECTORS

for the fiscal year ended August 31, 1967

To the Shareholders

The 1967 fiscal year was a good year for your Company in both sales and earnings. The consolidated financial statements and other figures quoted in this report are, in conformity with past practice, stated in United States currency unless otherwise noted.

Sales and Earnings

Sales for the year amounted to \$590,349,891, an increase of 4.4% over the 1966 sales of \$565,317,357. The increase in sales reflected the generally satisfactory economic conditions in the Company's major markets and the acceptance of its brands in those markets.

Net earnings for the 1967 fiscal year, after all charges including income taxes, were \$40,799,775 or \$2.37 per share compared with \$38,021,516 or \$2.21 per share in the previous year.

Dividends

Four regular quarterly dividends of 30 cents (Canadian currency) per share were paid during the year plus an extra dividend of 10 cents (Canadian currency) paid on October 15, 1966. The total dividend of \$1.30 per share (Canadian currency) amounted to \$20,707,712 stated in United States currency.

Proposed Income Tax Adjustments

On July 6, 1966 the Company announced that an agent of the United States Internal Revenue Service had proposed sub-

TWO YEARS COMPARED

	1967	1966
NET SALES.....	\$590,349,891	\$565,317,357
NET INCOME.....	40,799,775	38,021,516
INCOME PER SHARE.....	2.37	2.21
COMMON DIVIDENDS PER SHARE (STATED IN CANADIAN CURRENCY).....	1.30	1.20
NET WORTH PER SHARE.....	18.41	17.24
INVESTMENT IN PROPERTY-NET.....	75,936,979	70,764,152
WORKING CAPITAL.....	221,910,916	209,777,410

MILLIONS OF DOLLARS



stantial disallowance of certain interest payments and selling expenses. The Company's reply has been filed with the Internal Revenue Service. The final resolution of these matters may require several years. Information relative to the proposed adjustments is set out more fully in the Explanatory Financial Section.

Market Trends

Consumption of almost all classes of distilled spirits continued to increase in important world markets.

In the United States, Canadian and Scotch whiskies have continued their sales gains. Your Company is well represented among the bottled imports with Canadian Club and Ballantine's and Ambassador Deluxe Scotch whiskies. Lauder's and Old Smuggler Scotch whiskies are promising entries in the market for Scotch whiskies imported in bulk, bottled in the United States, and priced in the intermediate range. Hiram Walker's Special Canadian, Goodeham's Rich & Rare, and Barclay's Royal Canadian are currently being sold in the similar market for bulk Canadian whiskies.

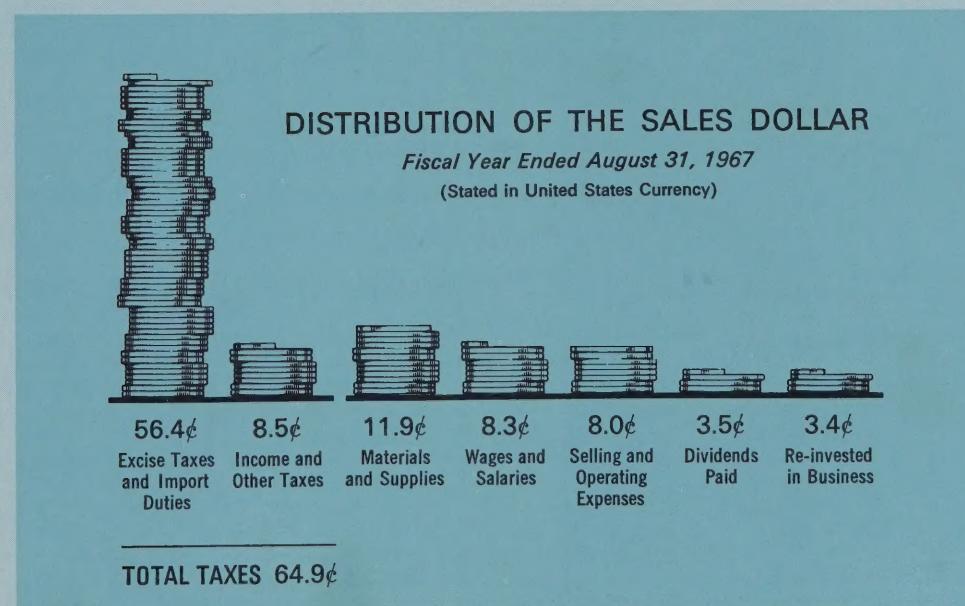
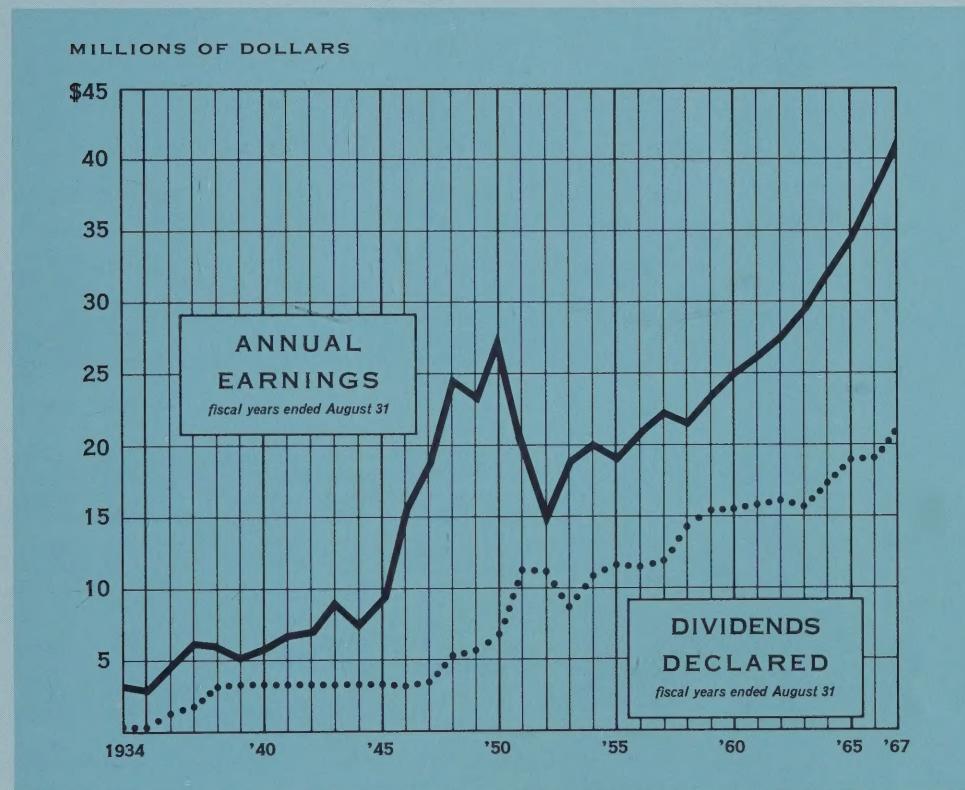
Walker's DeLuxe and Ten High straight bourbon whiskies, Imperial and Corby's Reserve blended whiskies are important brands in the U.S. domestic whiskey market.

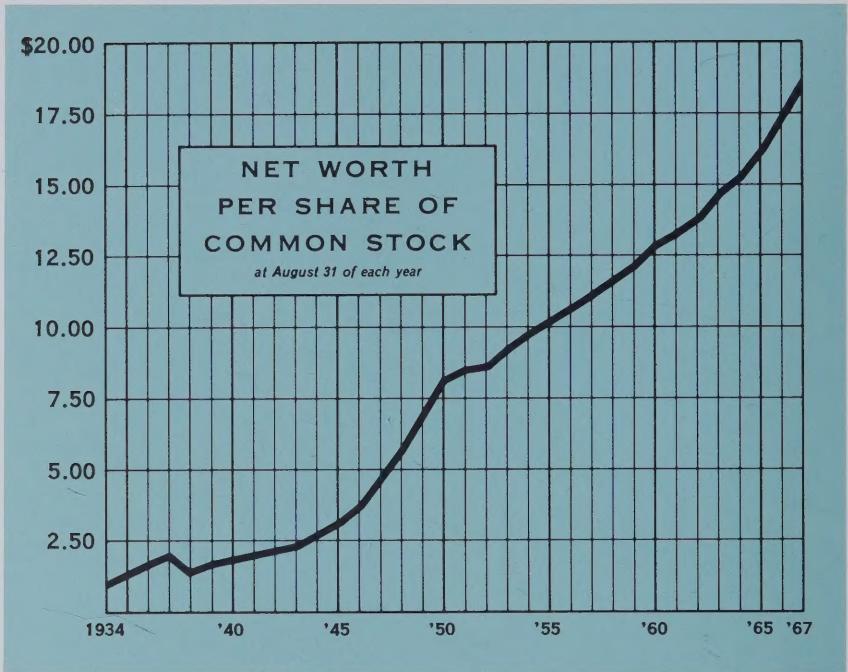
Inventories and Properties

During the past year, the new cooperage plant for the manufacture of maturing barrels was put into operation at Peoria and has proven very satisfactory.

A modern warehousing facility has been purchased at Burlingame, near San Francisco, where our western bottling and warehousing operations will be relocated.

Inventories of maturing whiskies were increased at all locations and additional maturing warehouses were completed and





put into operation in Canada, Scotland, and Argentina. Plans have been developed for the addition of two more warehouses at Delavan, Illinois, in the Peoria vicinity, and construction will begin next year.

Directors and Employees

We deeply regret the death during the year of Harold E. Harmon, Senior Vice President, who had been a director of the Company since 1958. Mr. Harmon joined the Company as Assistant Comptroller in 1938. His knowledge of the Company was extensive and his counsel on industry matters was most valuable.

The directors appointed Charles T. Fisher III to fill the vacancy on the Board at their October 20, 1967 meeting.

Once again we express our appreciation to the employees of the Company throughout the world who have contributed so much to its success.

By Order of the Board of Directors

A. Clifford Hatch
President

Walkerville, Ontario
October 20, 1967

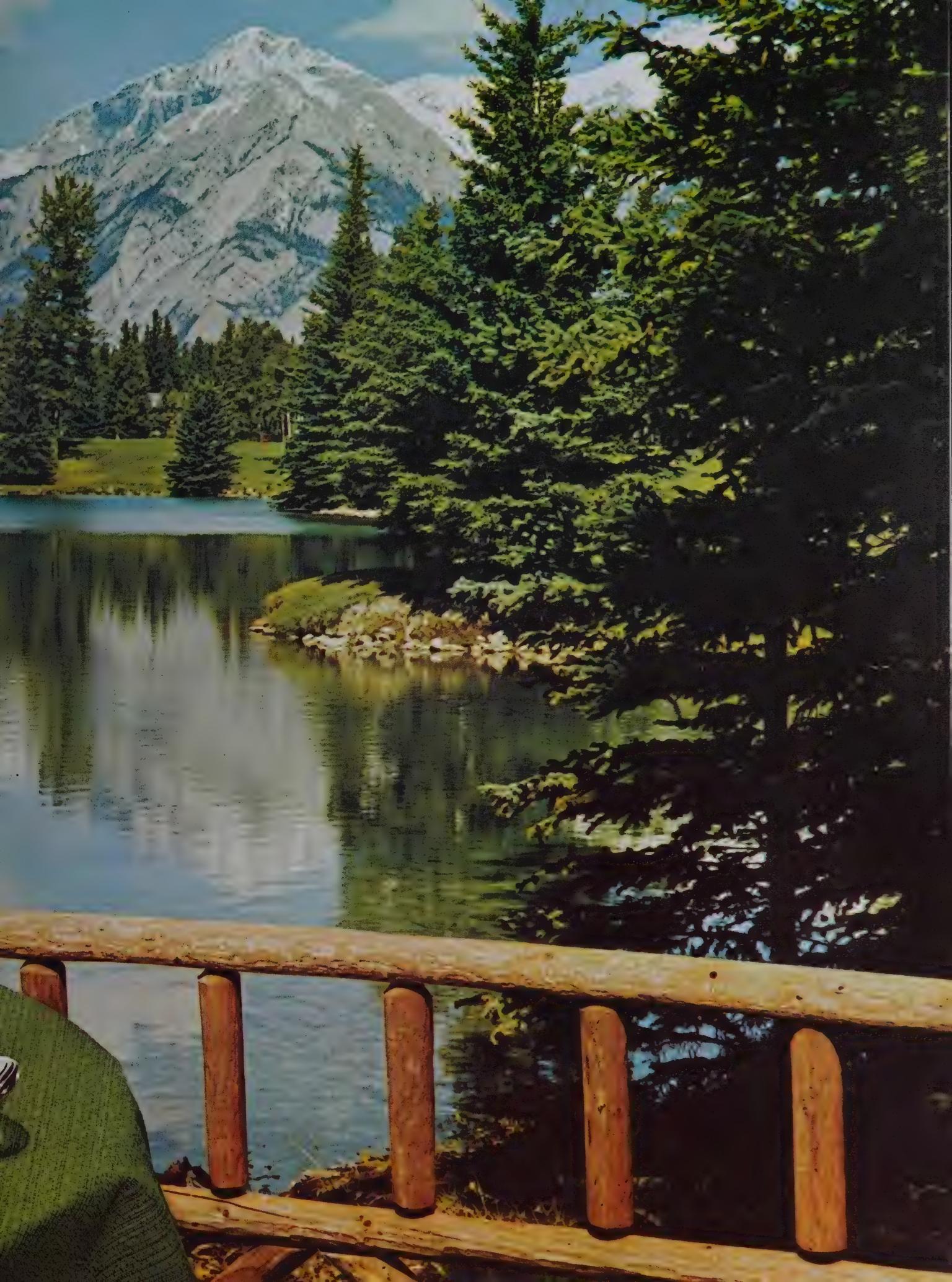
COMPANY'S RECORD—1934-1967

FISCAL YEAR ENDED AUG. 31	SALES	NET INCOME		DIVIDENDS			EARNINGS RETAINED IN BUSINESS AT END OF YEAR
		AMOUNT	PER SHARE*	PREFERENCE AMOUNT	COMMON AMOUNT	COMMON PER SHARE* (CANADIAN CURRENCY)	
1934	\$ 21,071,349	\$ 3,366,267	\$.19	\$461,131	\$ —	\$ —	\$ 5,594,170
1935	45,353,470	3,165,650	.17	460,818	—	—	8,244,484
1936	54,729,133	4,796,120	.28	460,818	990,000	.07	10,580,959
1937	63,969,514	6,463,633	.35	460,818	1,443,433	.09	15,140,340
1938	67,201,413	6,284,968	.34	460,818	2,896,016	.17	8,576,950†
1939	68,325,810	5,295,979	.28	534,092	2,896,016	.17	10,687,311
1940	78,678,677	6,065,664	.32	560,818	2,896,016	.17	13,296,141
1941	102,156,227	6,921,970	.37	560,818	2,896,016	.17	16,761,277
1942	150,492,421	7,123,579	.38	560,818	2,893,549	.17	19,994,448
1943	142,017,948	9,245,143	.50	560,818	2,886,148	.17	25,792,625
1944	167,051,135	7,637,364	.41	560,818	2,886,148	.17	29,813,088
1945	254,618,161	9,411,300	.51	560,818	2,886,148	.17	35,777,422
1946	266,845,903	15,784,699	.88	532,777	2,886,148	.17	48,143,196
1947	294,577,355	18,879,570	1.09	—	3,463,377	.20	63,559,389
1948	310,252,924	24,870,572	1.44	—	5,411,527	.32	83,018,434
1949	294,112,700	23,643,669	1.37	—	5,772,296	.34	100,889,807
1950	343,122,732	27,925,874	1.62	—	6,926,756	.40	121,888,925
1951	328,284,523	20,872,190	1.21	—	11,544,592	.67	131,216,523
1952	306,998,430	15,674,160	.91	—	11,477,633	.67	133,023,990
1953	337,304,847	19,093,424	1.11	—	8,848,930	.50	143,268,484
1954	339,285,815	20,252,490	1.17	—	11,093,631	.63	152,427,343
1955	341,273,232	19,327,468	1.12	—	11,821,662	.67	159,933,149
1956	370,927,502	21,079,312	1.22	—	11,636,949	.67	169,375,512
1957	396,182,157	22,478,161	1.31	—	12,031,458	.67	179,822,215
1958	384,028,204	21,845,494	1.27	—	14,506,584	.82	187,161,125
1959	412,121,674	23,694,387	1.38	—	15,597,593	.88	195,257,919
1960	440,179,873	25,050,258	1.46	—	15,685,430	.88	204,649,946
1961	449,889,391	26,362,652	1.53	—	16,031,356	.93	214,981,242
1962	469,287,365	27,705,832	1.61	—	16,347,124	1.00	226,339,950
1963	478,788,327	29,643,565	1.73	—	15,945,767	1.00	240,037,748
1964	498,174,425	32,173,389	1.87	—	17,506,013	1.10	248,352,856†
1965	529,614,946	34,568,348	2.01	—	19,152,431	1.20	263,768,773
1966	565,317,357	38,021,516	2.21	—	19,193,833	1.20	282,596,456
1967	590,349,891	40,799,775	2.37	—	20,707,712	1.30	302,688,519

*Adjusted for stock splits of four for one on October 18, 1946, three for one on January 21, 1958 and two for one on March 5, 1964.

†Goodwill, Processes and Trade-marks of \$9,491,525 and \$6,352,268 written off against Earnings Retained in years ended August 31, 1938 and 1964.





**CONSOLIDATED STATEMENT OF INCOME
AND RETAINED EARNINGS**

FOR THE YEARS ENDED AUGUST 31, 1967-1966

Stated in United States Currency

	1967	1966
NET SALES.....	\$590,349,891	\$565,317,357
Dividends and interest on investments:		
Subsidiary companies not consolidated.....	1,083,658	711,434
Other.....	2,923,535	2,478,232
Other income.....	2,297,156	2,589,170
	596,654,240	571,096,193
 COST AND EXPENSES:		
Cost of products sold.....	424,952,005	410,839,834
Selling and general expenses.....	79,695,693	74,008,990
Interest on bank loans.....	783,160	675,006
Provision for depreciation.....	5,913,230	5,554,363
Foreign exchange adjustments.....	122,128	577,530
Provision for income taxes.....	44,388,249	41,418,954
	555,854,465	533,074,677
 NET INCOME.....	40,799,775	38,021,516
 EARNINGS RETAINED IN THE BUSINESS:		
Balance at beginning of year.....	282,596,456	263,768,773
	323,396,231	301,790,289
Dividends paid.....	20,707,712	19,193,833
Balance at end of year.....	\$302,688,519	\$282,596,456

Remuneration of Directors and senior officers: 1967 \$590,575; 1966 \$542,766.

The information in the "Explanatory Financial Section"
on pages 16 and 17 is an integral part of these statements.

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

FOR THE YEARS ENDED AUGUST 31, 1967-1966

Stated in United States Currency

	1967	1966
SOURCE OF FUNDS:		
From operations—		
Net income.....	<u>\$ 40,799,775</u>	\$ 38,021,516
Provision for depreciation.....	<u>5,913,230</u>	5,554,363
	<u>46,713,005</u>	43,575,879
Other.....	<u>110,624</u>	125,252
	<u>46,823,629</u>	43,701,131
APPLICATION OF FUNDS:		
Dividends paid.....	<u>20,707,712</u>	19,193,833
Additions to fixed assets, net.....	<u>11,086,057</u>	11,293,787
Additions to investments, net.....	<u>2,896,354</u>	1,477,260
	<u>34,690,123</u>	31,964,880
INCREASE IN WORKING CAPITAL.....	<u>12,133,506</u>	11,736,251
WORKING CAPITAL:		
Balance at beginning of year.....	<u>209,777,410</u>	198,041,159
Balance at end of year.....	<u>\$221,910,916</u>	<u>\$209,777,410</u>

AUDITORS' REPORT

To the Shareholders of

HIRAM WALKER-GOODERHAM & WORTS LIMITED:

We have examined the consolidated balance sheet of Hiram Walker-Gooderham & Worts Limited and wholly-owned subsidiaries as at August 31, 1967 and the consolidated statements of income and retained earnings and source and application of funds for the year then ended. Our examination was made in conformity with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, subject to final determination of the proposed additional liability for income taxes referred to under the heading "Proposed Income Tax Adjustments" on page 16, these financial statements present fairly the financial position of the companies as at August 31, 1967 and the results of their operations and the source and application of funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, October 16, 1967

PRICE WATERHOUSE & CO.
Chartered Accountants

CONSOLIDATED BALANCE

Stated in

ASSETS

	1967	1966
CURRENT ASSETS:		
Cash.....	\$ 7,686,434	\$ 5,218,657
Short-term investments, at cost (approximate market value).....	37,917,421	50,729,270
Accounts receivable (less allowance—1967, \$2,154,010; 1966, \$2,126,610)	65,332,158	57,884,476
Inventories, at not exceeding manufactured or purchased cost.....	182,922,774	166,085,204
Prepaid expenses.....	2,191,339	2,307,789
Total current assets.....	296,050,126	282,225,396
INVESTMENTS, at cost:		
Investments in subsidiary companies not consolidated.....	13,572,123	11,762,520
Advances to subsidiary companies not consolidated.....	2,415,196	1,758,063
Other investments, without quoted market value.....	2,928,335	2,498,717
	18,915,654	16,019,300
LAND, BUILDINGS, PLANT AND EQUIPMENT, at cost.....	149,193,064	139,874,653
Less depreciation.....	73,256,085	69,110,501
	75,936,979	70,764,152
GOODWILL, PROCESSES AND TRADE-MARKS.....	1	1
	\$390,902,760	\$369,008,849

The information in the "Explanatory Financial Section" on pages 16 and 17 is an integral part of these statements.

SHEET AUGUST 31, 1967-1966

United States Currency

LIABILITIES AND SHAREHOLDERS' OWNERSHIP

	1967	1966
CURRENT LIABILITIES:		
Bank loans	\$ 12,819,188	\$ 15,536,535
Trade accounts payable	11,996,639	10,879,066
Federal excise taxes payable	9,510,012	10,380,911
Other accounts and accruals	3,992,674	3,213,569
Other Federal, state and local taxes	35,820,697	32,437,905
Total current liabilities	74,139,210	72,447,986
SHAREHOLDERS' OWNERSHIP:		
Common shares, without par value		
Authorized	21,000,000 shares	
Issued and outstanding	17,376,096 shares	17,330,180
Earnings retained in the business	302,688,519	282,596,456
	320,018,699	299,926,636
Deduct: Common shares held by Trustees and subsidiary company, at cost (1967—170,808 shares; 1966—175,458 shares)	3,255,149	3,365,773
	316,763,550	296,560,863
	<u>\$390,902,760</u>	<u>\$369,008,849</u>

Approved on behalf of the Board

H. CLIFFORD HATCH, *Director*
THOMAS SNELHAM, *Director*

EXPLANATORY FINANCIAL SECTION

CONSOLIDATION POLICY

In accordance with the Company's usual practice the accompanying consolidated financial statements include only the accounts of wholly-owned subsidiary companies in which financial statements at June 30 or July 31 are used for certain foreign subsidiaries. The Company does not consider that the resources and earnings of its partially-owned subsidiaries are generally available to the parent company, accordingly it is the practice to include each year in its consolidated accounts only the dividends received from these subsidiaries which are not consolidated. Based on exchange rates on August 31, 1967, the financial statements of such subsidiaries disclose that the Company's equity in their accumulated earnings has increased, as a result of earnings less dividends since acquisition to August 31, 1967, by approximately \$10,200,000. On the same basis, the Company's share of the earnings of such subsidiaries during the year ended August 31, 1967, which aggregated \$3,283,000, exceeded dividends received by \$2,297,000.

CURRENCY TRANSLATION

In accordance with the Company's usual practice, the consolidated financial statements are expressed in United States currency.

In expressing other currencies in terms of United States dollars, the following principles of exchange translation have been generally applied: inventories on hand and inventory items entering into cost of products sold, properties, accumulated depreciation and related provisions charged against income, investments, and capital stock—at rates of exchange at dates of production or acquisition of assets or issue of stock; other current assets and current liabilities

—at the rates of exchange on August 31; income and expenses, other than provisions for depreciation and inventory items entering into cost of products sold—at average exchange rates for the year.

The net result of all foreign exchange translations and adjustments for the fiscal year ended August 31, 1967 was a charge of \$122,128.

PROPOSED INCOME TAX ADJUSTMENTS

As reported last year an agent of the United States Internal Revenue Service has completed his audit of the federal income tax returns of the Company's affiliated corporations in the United States for their fiscal years 1958 through 1962. The audit reports include, among other items, substantial proposed disallowances of certain interest payments and several major classifications of selling expense. Items of the same nature are present in subsequent years.

The additional tax proposed by the agent for the years 1958 through 1962 amounts to approximately \$26,000,000, exclusive of interest and possible penalties on any tax deficiencies that may ultimately be payable.

Protests against the audit reports of the revenue agent have been prepared with the advice and assistance of tax counsel and have been filed with the Internal Revenue Service, and the proposed disallowances are being contested, except for minor amounts. Should all remaining questions be resolved against the Company, the amounts involved would be substantially in excess of available tax accruals. It is impossible at this time to predict the outcome of these matters, the final resolution of which may require several years.

STOCK OPTION PLANS

The Company's stock option plans adopted by the shareholders in 1957 and 1962 provide for the granting of options to purchase 180,000 and 160,000 shares, respectively, of the issued common shares of the Company. The plans provide that the option price shall be 95% of quoted market price of the shares on the date of grant. The options may not be exercised earlier than one year nor later than ten years from the date of granting and are generally exercisable at the end of each of the first five years from the granting date at the rate of 20% per year, at the end of which time any remaining unexercised balance may be purchased. The percentage of the options which may be exercised each year has been accelerated for those employees who will be 65 years of age within five years of the date of their option. Options granted to U.S. employees in December, 1964 were granted within the limitations of the 1964 amendments to the United States law which are more restrictive than the terms outlined above.

Options to purchase the entire 340,000 shares provided for under the 1957 and 1962 plans were granted prior to the current fiscal year. Options for 121,850 shares were outstanding at August 31, 1966. During the fiscal year ended August 31, 1967 no

options were granted, options for 4,650 shares were exercised and options for 7,200 shares were cancelled. Options outstanding at August 31, 1967, showing separately options issued to officers and directors, were as follows:

			<i>Outstanding August 31, 1967</i>	
	<i>Date of Grant</i>	<i>Option Price Per Share</i>	<i>Officers and Directors</i>	<i>Total</i>
1957 plan:				
	December 1958	\$16.15	200	2,500
1962 plan:				
	April 1962	26.07	10,800	25,500
	April 1962	27.26 (1)	19,600	20,200
	July 1962	23.75 (1)	3,000	3,000
	December 1964	32.57 (2)	14,000	37,300
	December 1964	33.55 (1)	4,000	21,500
			<u>51,600</u>	<u>110,000</u>

(1) Canadian Currency

(2) These options issued at 100% of market price on date of grant as required by United States law.

The cost of the shares acquired by trustees for the options granted under both plans and the cost of those held by a subsidiary, has been deducted from Shareholders' Ownership in the Consolidated Balance Sheet.

ANNUAL MEETING

The annual meeting of shareholders will be held at the Head Office of Hiram Walker-Goodeham & Worts Limited, Walkerville, Ontario at 2:30 P.M., December 8, 1967. Those unable to attend are urged to mail in their proxies.



Three new maturing warehouses have recently been added to the Company's Pike Creek complex, twelve miles from the Walkerville distillery.

PRODUCTION EXPANSION PROGRAM ENCOMPASSES HIRAM WALKER PLANTS AROUND THE WORLD

Sales estimates for the Company's brands indicate that the Company must be prepared for sales increases in the future. Expansion programs to meet this demand are now under way at most of our major production facilities around the world.



The new Burlingame, California property will replace inadequate bottling, storage and shipping facilities in San Francisco.



Expansion of bottling, shipping and storage facilities (foreground) at the Peoria, Illinois distillery will increase that plant's capacity.



Construction of new maturing warehouses is part of an expansion and modernization program at the Company's Bella Vista distillery in the Argentine.

Oh, you men and your heroics!
Do I always have to earn
my Canadian Club the hard way?

Yes.



6 YEARS OLD. IMPORTED IN BOTTLE FROM CANADA BY HIRAM WALKER IMPORTERS INC., DETROIT, MICH. 86.8 PROOF. BLENDED CANADIAN WHISKY

A reward for men. A delight for women.

Smooth as the wind.

Mellow as sunshine.
Friendly as laughter.

The whisky that's bold
enough to be lighter
than them all.



BY APPOINTMENT
TO HER MAJESTY QUEEN ELIZABETH II
SUPPLIERS OF "CANADIAN CLUB" WHISKY
HIRAM WALKER & SONS LIMITED
WALKERVILLE, CANADA

Hiram Walker-Goodeham & Worts Limited

AND WHOLLY-OWNED SUBSIDIARIES

PRINCIPAL BRANDS

MARKETED IN CANADA

CANADIAN WHISKIES Canadian Club • Imperial • Hiram Walker's Gold Crest
Goodeham's Bonded Stock • Walker's Special Old • Barclay's Gold Label
Centennial

IMPORTED SCOTCH WHISKIES Ballantine's • Ambassador Deluxe

LONDON DRY GINS Domestic: Hiram Walker's Crystal • Imported: Ballantine's
BRANDY Barclay's Rare Old

VODKAS Sköl • Hiram Walker's Crystal

RUMS Maraca (Gold Label, Black Label & White Label)

IMPORTED LIQUEURS Drambuie • Kahlúa • Cherry Heering • Bols

MARKETED IN THE UNITED STATES

IMPORTED CANADIAN WHISKIES Canadian Club • Royal Canadian

IMPORTED SCOTCH WHISKIES Thorne's 10 • Ballantine's • Ambassador
Deluxe • Old Smuggler • Lauder's

STRAIGHT BOURBON WHISKIES Walker's DeLuxe • Ten High • Barclay's

AMERICAN BLENDED WHISKIES Imperial • Corby's Reserve • G & W Seven
Star • William Penn

LONDON DRY GINS Domestic: Hiram Walker's Crystal • Booth's High & Dry
Barclay's • Imported: Booth's House of Lords

VODKA Hiram Walker's Crystal

CORDIALS & COCKTAILS Hiram Walker's

BRANDIES Domestic: Hiram Walker's • Barclay's • Imported: Courvoisier

IMPORTED LIQUEURS Drambuie • Cherry Heering • Tia Maria